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# **Reflections on the European Employment Strategy: How Relevant to the UK?**

Edited by Guy Palmer and Suriya Edwards

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## INTRODUCTION

This collection of essays offers a critical examination of various aspects of the European Employment Strategy (EES). It arises out of a seminar organised by the New Policy Institute as part of the project titled ‘More and Better Jobs’ – a project which aims to raise awareness of the EES in the UK and to encourage relevant NGOs, practitioners, academics, and politicians to begin the vital process of engaging with it.

The seminar addressed three main questions: what does the EES offer the UK and how does the EES get implemented in Member states.

### **WHAT DOES THE EES OFFER THE UK? - THE IMPORTANCE OF ‘QUALITY IN WORK’**

A major theme running through all the contributions is that the UK has enjoyed a good record on job creation in recent years but that a lot less attention has been paid to the other labour market objectives of the Lisbon Strategy, most notably the ‘quality in work’ agenda. For example:

- Colin Lindsay argues that, despite the UK’s good employment record, some problems still remain. These include pockets of high unemployment, ‘revolving door’ participation in employment programmes, job insecurity and in-work poverty.
- Susan Milner argues that the UK labour market has major (and often worsening) weaknesses in terms of the gender pay gap, regional disparities, the skills gap, and a shortage of affordable childcare.
- Richard Ennals argues that, where once the UK led other states in its pioneering work on ‘work organisation’, the opposite is now true, along with a relatively poor record in making social partnerships, taking part in social dialogue, workplace health and workforce participation, regional development policy, and quality in work.

There is general agreement that ‘quality in work’ is now a major challenge for UK labour market policy. The question is whether the EES has anything to offer the UK on these issues.

All of the contributors argue that, with ‘quality and productivity at work’ being one of the three over-arching themes of the 2003 EU Employment Guidelines, the basic answer to this question is ‘yes’. But, within this, their arguments strike somewhat different tones.

Ray Philips is perhaps the most optimistic. He argues that the EES, via the European Structural Funds, is already playing a vital role in helping the voluntary and community sector to promote employment and social inclusion agendas across the UK. He goes on to make a series of suggestions about how this contribution could be further strengthened.

Like Philips, Colin Lindsay also argues that there is a natural synergy between European policy development (as manifested in the EES) and UK policy development. In the past, both focussed on employability. Now, both are becoming increasingly focussed on issues of quality in work.

The implicit conclusion of Philips' argument, made explicitly by Richard Ennals, is that UK policy development on 'quality in work' can benefit from the lessons being learnt elsewhere in the EU. But Ennals also concludes that this is not yet happening, in large part because the UK does not take advantage of the opportunities for sharing that are on offer.

Susan Milner agrees with Lindsay that the EES could and should provide an opportunity for the sharing of ideas. But, like Ennals, she also argues that this is not currently happening in practice. In her case, however, she puts the 'blame' at least as much on the EES as on the UK: 'quality in work' has lost its precedence in the European agenda due to other competing objectives. Samantha Velluti takes a similar position: based on a series of case studies, she concludes that progress on the EES agenda thus far has focused on employability because this is the area where the EU objectives are most easily quantified and where most effort to develop common indicators has been concentrated.

To summarise, there is general agreement among the contributors that the EES can potentially be of significant benefit to the UK in helping to address 'quality in work' but there is less agreement about whether it is currently having a major impact. Some of the contributors argue that UK employment policy is actually far more 'European' than is generally conceded, with both reinforcing each other. Others argue that the UK always tends to copy American policy models and should start looking harder at its EU neighbours for policy ideas. There is, however, a general consensus that anyone looking at employment policy documents solely within the UK would be hard pressed to know the EES existed at all.

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## HOW DOES THE EES GET IMPLEMENTED IN MEMBER STATES?

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In the language of the Commission, the EES was designed as the main tool to ensure that member states help achieve the EU level employment policy priorities.

This co-ordination of employment policies at the EU level is built around several components:

- Employment guidelines: a series of EU guidelines are agreed every year which set out the common priorities for member states' employment policies.
- National Action Plans (NAPs): every member state draws up an annual National Action Plan that describes how the guidelines are to be put into practice in their country.
- A Joint Employment Report: the various National Action Plans are reviewed and brought together into an EU-wide Joint Employment Report and the employment guidelines are revised as required.
- Recommendations: the EU issues country-specific recommendations on how to implement the employment guidelines.

With a mid-term review in 2000 and an impact evaluation in 2002, the European Commission has remained keen on evaluating the effectiveness of the EES. The major areas flagged up as strengths in the mid-term review were: increased involvement of a wide number of actors at both European and national level; a heightened transparency of employment policies; and greater political accountability for the actions taken.. The main weaknesses identified were: regional differences in labour market performance; skills gaps; an exclusive focus on employability, with a lack of interest in modernisation and innovation, and poor social partnerships within Member states.

Samantha Velluti argues that these strengths and weaknesses both arise from the character of the EES, which she describes as 'soft law'. While lacking any legal sanctions, it facilitates a certain level of regulation and cooperation among the different actors involved. The flexibility inherent in this approach facilitates various forms of partnerships.

But the EES's 'soft law' nature also makes its impact within Member states difficult to assess and provides no guarantees that its guidelines will be adopted. It also allows for ambiguities to persist, and for the process itself to be less than open and transparent.

She concludes that one way of strengthening the EES would be to create a stronger link with the European Commission's labour law, introducing the possibility of formal sanctions. Susan Milner provides a similar analysis and comes to a similar conclusion.

### **OUR OVERALL CONCLUSION**

UK policy now provides a comprehensive response to the problem of lack of work. The challenge is to complement these policies with a similarly comprehensive response to the problem of the quality of some of this work. This is one of the major thrusts of the EES. If we – academics and think tanks as well as government, business and trade unions – paid more attention to the collective wisdom of the EU on this subject, as articulated in the EES, we might find that we have much to learn from the rest of Europe, as well as much to offer them. The various papers in this pamphlet aim to stimulate such a debate.

## **EMPLOYABILITY POLICIES IN THE UK: TOWARDS A 'QUALITY AT WORK' AGENDA?**

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### **THE EES AND EMPLOYABILITY POLICIES IN THE UK**

The 2003 EU Employment Guidelines focus on three over-arching themes: full employment; quality and productivity at work; and cohesion and an inclusive labour market. However, policies to promote 'employability' continue to remain at the centre of the European Employment Strategy (EES).

Given the pressures exerted on the European social model by the ageing of member states' populations and the persistence of mass unemployment during the 1980s and 1990s, it was perhaps inevitable that the national governments and European institutions would prioritise measures promoting access to work. The term 'employability' is not explicitly used within the re-formulated 2003 version of the EES. Nevertheless, the promotion of employability in the workplace and among young people, the unemployed and other potentially disadvantaged groups in the labour market remains an important objective for the 'new' EES (European Commission, 2003).

Whereas the original EES included employability as a pillar of its approach, the more flexible, longer-term strategy now advocated by the European Commission speaks of promoting more and better "investment in human capital and strategies for lifelong learning". However, this and many of the Commission's other guidelines for implementing the Strategy reflect the pre-existing focus on employability including: the promotion of active and preventative measures for the (especially long-term) unemployed and inactive; improving financial incentives to make work pay; and promoting active ageing (European Commission, 2003).

The current UK National Action Plan on employment highlights a number of employability policies developed by the national government, now broadly falling under the banner of promoting full employment and an inclusive labour market (DWP, 2003). At the centre of British approach, the New Deal is the main active labour market policy, offering a range of employability and training programmes, under varying degrees of compulsion to: young people; those aged over 25; those aged over 50; lone parents; and the disabled.



Though the New Deal was introduced in 1998, in reality, its foundations had been laid well before the Luxembourg Jobs Summit of November 1997, as the Labour Government elected the preceding May prepared to build on the existing 'stricter benefit regime' (based on compulsory job seeking activities for unemployment benefit claimants) and apply lessons learned from other 'active' welfare states, such as Sweden, Denmark, the United States and Australia (Lindsay and Mailand, 2004).

The EES can therefore be seen as reinforcing and supporting the UK government's expansion of active employability policies, just as the UK's success in promoting and implementing such policies arguably provided evidence in support of the active measures advocated by the Strategy.

#### **EMPLOYABILITY POLICIES IN THE UK: TOWARDS A 'QUALITY AT WORK' AGENDA**

The UK approach to promoting employability through 'welfare to work' can be viewed as a success story. The UK's registered unemployment was lowest of the G7 countries in 2002 (standing at 5%), while the employment rate (75%) exceeded the Luxembourg and Stockholm targets. The current government's active labour market policies have also had a significant, if limited, impact on youth and long-term unemployment (NAO, 2002). However, there remain pockets of high unemployment, particularly in northern cities, where low claimant unemployment masks a problem of many older workers claiming non-work related disability benefits (Martin et al., 2003).

Furthermore, the New Deals, and other employability programmes provided by the public employment service, *Jobcentre Plus*, face an increasing problem of 'revolving door' participation, where clients move from training programmes into short-term employment, and then back into unemployment and eventual repeat participation in training programmes.. In more general terms, two-fifths of those claiming Jobseeker's Allowance are experiencing their second spell of unemployment in a six month period (Palmer et al, 2003).

Meanwhile, for those in work, labour market participation does not always equate to social and economic inclusion. Palmer et al (2003) state that around two-fifths of low-income working-age households have at least one of their adult members in paid work.

Seeking to address these anomalies, and in line with the drive for both 'full employment' and 'quality and productivity at work' in the EES, the UK government has sought to switch the focus of employability measures from young people and the registered long-term unemployed towards other inactive groups, while also introducing a series of measures to improve the quality of outcomes experienced by those making the transition to work.

The National Minimum Wage (not recommended by the EES until 2003, but introduced in the UK in 1998), combined with a series of Tax Credit reforms, have formed the basis of a national strategy to 'make work pay' and to tackle in-work poverty. The Employment Relations Act (1999, extended 2002) and the gradual development of the *SureStart* childcare initiative in disadvantaged areas has facilitated access to work for people with families, including lone parents (Brown, 2004).

Nevertheless, the benefits of these government policies to make work pay have been denied to many young people – those aged under 25 are not entitled to the Working Tax Credit; and those aged under 22 are eligible only for a lower rate of National Minimum Wage protection. Employers have taken advantage of these systemic weaknesses – it has been estimated that 250,000 young people earn less than the 'adult' minimum wage (Palmer et al, 2003). The combination of insecurity, low pay and lack of opportunities for progression that characterise vacancies in some areas of the UK labour market – and particularly in certain sectors of the service economy – present many job seekers with an unpalatable choice between low quality work and continued unemployment (Lindsay and McQuaid, 2004).

These problems, combined with the tenacity of unemployment and long-term unemployment in certain regional and local labour markets, provide new challenges for the UK's implementation of the EES. Research carried out for the Department for Work and Pensions (DWP) has confirmed that variations in the performance of Jobcentre Plus service can largely be traced to the impact of local labour market demand (measured as notified vacancies) and levels of socio-economic deprivation within local communities (GHK, 2004). Recent reforms appear to point towards a growing understanding of the need for targeted, area-based solutions (DWP, 2004).

This shift is mirrored in the EES. Prior to the development of the 2003 Employment Guidelines, the European Commission's communications on "*acting locally for employment – a local dimension for the European Employment Strategy*" (2000) and "*strengthening the local dimension of the EES*" (2001) highlighted the consensus among policy makers that a consistent and strengthened approach to delivering the EES at the local level was required. However, while a more area-focused approach is to be welcomed, the UK government still places the responsibility for unemployment almost solely with the individual.

The analysis of Europe's unemployment problem implicit in the EES has long held that supply-side employability measures are the key to reducing the numbers who are out of work. It is an analysis that has been welcomed and replicated within UK policies to promote employability and labour market inclusion. The apparent success of the UK approach (along with similar experiences in other countries such as the Netherlands) has helped to validate the EES. This process of mutual reinforcement and legitimisation has continued as both the EES and UK employability policies have been reconfigured to take account of falling unemployment and rising concerns over retention, progression and work conditions – a new quality at work agenda.

## CONCLUSIONS

The United Kingdom faces similar labour market problems to its European neighbours. During the 1980s and 1990s high and recurring youth and long-term unemployment were the key problems. More recently, as participation rates have gradually risen, concerns over retention and in-work poverty have come to the fore. It is hardly surprising that the UK, having reflected and helped to legitimate the EES's focus on active measures to promote employability in the 1990s, should now share the reconfigured Strategy's emphasis on improving the quality of outcomes for those successfully making the transition to work.

The combination of active policies to promote employability and a range of recent initiatives to make work pay, appear to be enjoying some success in the UK. But problems remain – too many working families and young people continue to have to cope with very low incomes, combined with insecurity at work and few opportunities for progression. There also remains a reluctance within government to accept that the employability of individuals is a function of both supply and demand.

The rhetoric of 'employability' is less evident in the 'new' EES, but the issues surrounding helping people into work remain. The UK, like other EU states, must continue to search for a combination of policies that ensures opportunity for workers across areas and age groups, and that allows individuals to develop their employability in and beyond the workplace. The challenge remains for the UK to ensure that recent gains in employment are followed by measures to ensure that Europe's new and returning workers have access to decent pay, a degree of stability and opportunities to progress in the labour market – placing a new quality at work agenda at the centre of national policies and the implementation of the EES.

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## **THE EUROPEAN EMPLOYMENT STRATEGY: TIME TO TAKE IT SERIOUSLY?**

**Susan Milner**

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The European Employment Strategy, originally a compromise between different national positions on the best way to combat unemployment and a strategy to promote policy learning, has now come to the forefront of European policy-making. This is partly because it has been subsumed under the Lisbon target to make the European Union the world's leading 'knowledge economy', and partly because the method of open coordination appears to offer an exciting new approach which avoids the blockages and rigidities of old-style regulation.

However, in a task force chaired by Wim Kok, the Commission has recently expressed concern about the extent to which the EES is actually making a real impact on national policies. The Kok report's rather pessimistic evaluation of the EES to date notes that the process of convergence towards the employment targets has stalled: the initial catch-up of outliers has slowed down or stopped in the context of economic slowdown since 2001.

Issues around the EES include:

- Subordination to the Lisbon agenda means that some policy objectives, notably the quality of work and to some extent gender inequalities, have been neglected whilst other policy objectives, particularly pensions reform and the wider 'active ageing', have become more important.
- As the objectives have shifted, a high degree of uncertainty and ambiguity has characterised the strategy, with member states able to define the process in a way which suits them rather than being open to learn from the experiences of others.
- Despite past criticisms of the process, it has not become more open and transparent, providing a space for debate and contributions, but rather more closed and opaque. The Kok report acknowledged this problem but did not make concrete recommendations for change.

- The adaptational pressures arising from the EES also appear to be weak. This is demonstrated by the fact that the country-specific recommendations have remained broadly similar since 1997: in other words, member states have not responded to policy recommendations but have continued their national-specific objectives and paths.

In the case of the UK, not only have the weaknesses not been addressed, but in many cases they have got worse. These weaknesses include:

- The gender pay gap, which is the widest in the EU.<sup>1</sup>
- Regional labour market disparities, which as a recent report shows are widening.<sup>2</sup>
- The UK skills gap, which continues to grow and which is a major reason for the UK's productivity gap with countries like Germany and France.
- A shortage of affordable childcare.
- Inadequate protection for insecure and low-paid workers.
- The lack of social dialogue around the national action plan for employment.

Furthermore, discussion around the National Action Plan and the recommendations has been virtually non-existent in the UK. For example, in the Treasury's 2003 report *A Full Employment Strategy for Europe*, the EES was not even mentioned. Instead, the report focused on the Lisbon targets for employment rates and formulated its own set of policy objectives for the EU, concerned with labour market flexibility and the incentivisation of work. None of these objectives mentioned gender or other forms of structural labour market disadvantage, although the skills gap was acknowledged. Anyone looking at employment policy solely within the UK would be hard pressed to know that the EES existed at all.

Of course, the UK is not the only country which downplays the EES. For example, a recent comparison of Germany and the UK suggests that the EES has had little impact outside a small circle of experts and that it has not been used as a justification for labour market reform.<sup>3</sup>

So does the EES matter? Employment and labour market policies are notoriously difficult to transplant from one national setting to another. They respond to different economic structures and to the legacy of different policy decisions taken in the past. They reflect different sets of policy priorities, often expressed in public choices about which social groups are most ‘deserving’ of help. They are the result of different institutional settings, such as the role of businesses and trade unions. Moreover, different types of economy (small or large, import or export led, more or less industrialised) may require different policy solutions. For example, economist Robert Boyer identifies at least seven alternative strategies for growth and employment, and three main approaches among existing EU member states.<sup>4</sup> It may not, therefore, be possible to formulate one set of employment guidelines for all countries.

However, employment is at the forefront of citizens’ concerns today. There is a recognition that, in conditions of international competition, policy-makers can learn from experiences elsewhere. If we assume that the EES matters then it could be given ‘teeth’ by introducing either legislative mechanisms for translating guidelines into framework directives or financial sanctions for non-compliance, as with the Growth and Stability Pact. However, there appears to be little political appetite for such a strategy.

From the UK perspective, the EES could and should provide an opportunity for the sharing of ideas on how to address the long-standing weaknesses identified above. A start has already been made in two key areas. First, the recent pledge to increase childcare places should help to give women real choices, although we have a long way to go before we can match countries like Sweden or Denmark, where not only are places available but childcare professions are highly valued. Second, the new skills strategy unveiled in 2003 heralds a partnership approach to skills and turns attention at last to boosting vocational training in the UK. But the UK can still learn from countries which have managed better than us to equip school leavers with the vocational skills needed in the workplace. There also needs to be a continuing discussion about how to improve investment in skills in the workplace (ongoing vocational training) in order to boost productivity, whether through the introduction of training levies as in some European countries, or through regional or sector-specific initiatives.



The emerging new framework for regional economic development, encouraged by European funding opportunities, may also help to reduce regional inequalities in the longer term. However, mismatches between the administrative requirements of different levels of governance, as well as the demands of a constantly changing policy environment, hamper the effectiveness of local and regional programmes on the ground. Here, too, comparisons with our European neighbours can be instructive. For example, a recent study of local labour market policies in Denmark and the UK reveals a much higher rate of intervention in Denmark (with more than double the number of unemployed people helped back to work in the same period) and a reduction in regional inequalities. The authors attribute the effectiveness of the Danish system to a clearer rationale of public intervention and to the stability and consistency of territorial responsibilities.<sup>5</sup>

Furthermore, the EES needs to be pursued in the context of changes to the structural funds in the medium and long term, following enlargement. As the Department of Trade and Industry recognises, the European Social Fund and particularly the European Regional Fund have been critical in developing partnership at local and regional level, and in providing a boost to funding. The likely loss of this funding after 2006 requires new initiatives, as discussed in the 2003 joint Treasury, DTI and Office of the Deputy Prime Minister paper *A Modern Regional Policy for the United Kingdom*, in order to safeguard levels of resources. This debate needs to continue at all levels. So far, the structural funds have helped achieve many of the objectives of the EES. Perhaps it is time to discuss whether the broader objectives of the EES (that is, reduction in unemployment and social exclusion; investment in skills and productivity) can be achieved without some discussion of distributional issues.

Finally, although 'quality of work' seems to have slipped off the European agenda, it still holds relevance to UK policy-making. Closing the gender pay gap means, among other things, strengthening rights for women part-time workers and ensuring wider enforcement of minimum wage legislation. It also means improving access to childcare for women wishing to train or to change their working hours. The UK has a poor record in this area: around one in five workers is low-paid, according to Eurostat standardised figures, compared to around one in seven on average across the EU and Norway.<sup>6</sup> Three-quarters of these low-paid workers are women.

By focusing exclusively on raising the female employment rate, mainly by encouraging part-time work, UK policy-makers have deflected attention away from the issue of low-pay and poverty in work. Countries with lower proportions of low-paid workers tend to have relatively fewer women in part-time work; they also tend to have higher levels of statutory minimum pay relative to average wages. But that is only part of the story: the Netherlands, with similarly high rates of female part-time work to the UK, nevertheless manages to have a lower proportion of low-paid workers, closer to the EU average. The Dutch ‘flexicurity’ model, where flexible hours are offset by guarantees of equal conditions for part-timers and full-timers, may hold lessons for the UK. On this, as on other issues, the EES can help by providing comparative data and promoting discussion to aid policy learning, rather than closing debate off by an exclusive and technical focus on employment rate targets.

## ENDNOTES

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## **A CRITICAL EVALUATION OF THE EUROPEAN EMPLOYMENT STRATEGY AS A SOFT LAW APPROACH**

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The EES aims to develop a social dimension to the activities of the European Union. As such, it represents a major development in the implementation of EU policies.

The EES does not cover all policies that are related to employment. Important areas that concern economic and employment growth in the European Union, such as monetary, fiscal and wage policy, are not included. Nonetheless, the strategy embraces many areas that have never been addressed at the European level before.

### **THE MAIN CHARACTERISTICS OF THE EES**

The EES has contributed in a variety of different ways to the re-conceptualisation of EU social policy and to the strengthening of the 'European social model'. In particular, the 'Luxembourg process' has brought the employment to the forefront of the European and national debate. The EES has created a common, integrated framework for structural reform, aiming to achieve mutually supportive policies in such areas as labour market policy, tax and benefit systems, training and education, enterprise policy, modernisation of work organisation.

Implementation of the EES requires new institutional arrangements and national policy reform. In particular, it fosters the involvement of a variety of different actors at all levels of policy-making and, therefore, promotes both multi-centred and multi-level forms of governance.

More broadly, the EES has promoted a re-thinking of policy-making by fostering the co-ordination between different administrations and the rationalisation of employment and labour market policies. This has led to a strengthening in the co-ordination of national and European social policies.

It has also resulted in an increase in expenditure for employment-related policies. In this context, the EES has also influenced the policies of the European Social Fund (ESF). The latter not only represents a means of financial support of the EES but also shares a similar type of functional logic in that the ESF promotes and encourages partnerships at different levels and the exchange of ideas and best practices.<sup>1</sup>

Promoting policy learning, an area where the EES has been most successful,<sup>2</sup> entails, on the one hand, the Europeanisation of social policy and, on the other, it increases the importance of national social pacts.<sup>3</sup> It also promotes the creation of new employment and labour market paradigms through the exchange of best practices, through benchmarking and by linking various areas of social policy together.<sup>4</sup>

The EES has also brought a change in the objectives of the EU agenda. Previous EU social policy and legislation was focussed on the labour market policies required for the completion of the internal market and to the creation of EMU, without taking into national social policies into account. The EES, on the other hand, addresses issues which directly affect national employment policies and industrial relations systems.

The most important element of the EES, however, is its ‘soft law’ nature. The aim of Community intervention in this area *“is not to constrict actors within a prescriptive framework, but to add value by organising them in order to achieve shared policy ends.”*<sup>5</sup> The flexibility inherent in ‘soft law’ instruments such as the EES facilitates various forms of partnerships without adopting a ‘rule of law’ approach. The lack of legal sanctions also facilitates a certain level of regulation and cooperation among the different actors involved. And political sanctions, as opposed to the use of a legal ones, are much more than merely symbolic. As Régent posits, political sanctions are a very important form of political or moral pressure because they can place a given national government in great difficulty.<sup>6</sup>

However, the EES does not only provide recommendations, resolutions, action programmes or guidelines. It also sets out a process to foster policy learning and innovation. It may thus be defined as a form of ‘dynamic soft law’ instrument. More specifically, it provides a soft framework for the further implementation of hard law *via* European guidelines combined with specific timetables for achieving the goals, which they set in the short, medium and long term.

Another feature of the EES is that it integrates separate policy domains.<sup>7</sup> In areas that are covered by the Employment Policy Guidelines (EPGs), the EES does not always demand convergence: many of the guidelines leave the States with a substantial level of discretion with regard to the ways of adopting the concerning measures. It may be argued, therefore, that while the EES does aim at achieving convergence, it is mostly convergence of results rather than policies. In this regard, the EES presents the same intrinsic logic of a Directive.

## **WEAKNESSES OF THE EES**

Many of the weaknesses of the EES are inherent in its ‘soft law’ nature.

First, the very nature of the EES as a non-binding legal instrument does not allow for the accurate assessment of the results achieved given that national measures might not refer to the EPGs for their adoption and that many elements of the EES are already part of national policy programs.

Second, the subordination of the EES implementation to the economic and political situation within the various member states combined with its soft law nature, does not guarantee its further development in moments of economic recession or political instability.

Last, the paucity of specific procedural rules and detailed guidelines, the scant information on how benchmarking should be undertaken, the absence of a clear definition of the distribution of competence,<sup>8</sup> and the lack of a system of legal or formal sanctions in the event of non-alignment of a given member state with the relevant Employment Policy Guidelines, all seriously undermine the legitimacy and the effectiveness of the EES as a form of deliberative supra-nationalism.<sup>9</sup> The question therefore remains as to whether the EES provides a durable alternative to the traditional EU model.<sup>10</sup>

One way of potentially strengthening the EES would be to create a link with European Commission labour law. Some first attempts to do this since the Treaty of Amsterdam have already been made, particularly in the area of Framework Directives.<sup>11</sup> The study of European Commission Framework Agreements and Directives shows that the soft implementation of the Employment Strategy and European Commission labour (hard) law are reciprocally influenced and reinforce the protection of the rights recognised in the Directives. Rather than buttressing the dichotomy hard/soft law, the main objective would, on the contrary, be to transcend the hard/soft law debate.<sup>12</sup>

Finally, the whole process also seems to be taking place between ‘elites for elites’<sup>13</sup>, with a lack of transparency and accountability. Moreover, as well as the European Court of Justice being excluded from the process, both the EU Parliament and the Committee of the Regions have been given only a minor consultative role in the overall implementation of the Strategy.<sup>14</sup>

## CASE STUDIES BASED ON THE STRATEGY

Case studies show that, in most countries, the EES is insufficient *per se* due to particular political patterns and to the existence of persisting structural problems.

For example, according to the Italian *Impact Evaluation Draft Report of the EES*<sup>15</sup> and to interviews conducted with representatives of the Italian government and the social partners in Brussels and Italy, the strategy has not contributed greatly to solving the major structural problems of Italy, although it has been a major stimulus in Italy for the adoption of active and preventative measures and for the creation of *ad hoc* committees.<sup>16</sup> This is due to delays in the implementation, or even to the non-implementation, of some of the Employment Policy Guidelines, and to the still mainly centralised system of regulation. It is also due to the fact that the EES does not take the Italian structural problems sufficiently into account, which require demand-side policies as well as supply-side policies.<sup>17</sup>

In France, research has shown that the process of producing National Action Plans is still in the phase of formal adaptation and there is no ‘real’ reformulation of national policy objectives. In particular, France has retained a sizeable amount of manoeuvre and directly influenced the drafting of the Employment Policy Guidelines.<sup>18</sup>

In Spain, the Luxembourg process promoted a re-thinking of policy-making by fostering the co-ordination between different administrations and the rationalisation of employment and labour market policies, one important aspect being the increase in expenditure for employment-related policies. However, as in the case of Italy, the implementation of the EES has not been sufficient to solve Spain’s structural problems.<sup>19</sup>

Most progress has been achieved with regard to those Employment Policy Guidelines that focused on employability. It is for these guidelines where the quantified European level objectives exist and where most of the effort to develop common indicators has been concentrated.

Even where the implementation of the Employment Policy Guidelines appear to be mostly influential (*e.g.* Sweden and Denmark), the research shows that apparent success of the EES has been mainly due to similar national objectives.<sup>20</sup> Furthermore, the whole process has been mostly administered at the ministerial level, that is Ministry of Economy and Finance and Social Affairs<sup>21</sup>, with only a minor involvement of the social partners in the preparation and drafting of the National Action Plans.<sup>22</sup>

As regards to the causal link between the EES and national employment and labour market policies, research shows that the Employment Policy Guidelines and national social policies either aimed at achieving similar objectives or, on the contrary, had different targets. The level of ‘policy distance’ between a given national context and the European objectives also determined the level of European influence on the national level.<sup>23</sup>

This analysis shows that, even though the EES includes significant learning-promoting mechanisms and thus promotes policy learning and transfer, there is not enough comprehensive information and evidence available to confirm that changes at the national level are directly linked to the implementation of the EES. Cross-country comparisons have also been hard to make due to the different national labour market patterns. On the whole, while the result of the process is a large amount of information, it is not clear how the information is being used.

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## **THE EUROPEAN SOCIAL FUND: THE ROLE OF VOLUNTARY & COMMUNITY ORGANISATIONS IN DELIVERY**

**Ray Phillips**

**Director of the London Voluntary Sector Training Consortium**

*“To have an impact, National Action Plans need to have political legitimacy and the approach of several Member States of involving their national parliaments in the preparation of NAPs, and consulting social partners and civil society, could become the norm throughout the EU.”*

*Jobs, jobs, jobs ~ creating more employment in Europe: report of the Employment Taskforce chaired by Wim Kok, November 2003.*

### **INTRODUCTION**

Historically, ‘partnership’ has long been recognised as one of the leading operational principles of the European Structural Funds. Within its family of financial instruments, the European Social Fund has been developed as the main tool for delivering the European Employment Strategy.

Last year, the House of Commons Work & Pensions Committee conducted an inquiry into the European Social Fund. The Committee’s Final Report describes various features of the Funds, including the UK’s allocation for the period that amounts to 16,100 million euros, of which almost half (7,200 million euros) is channelled through the European Social Fund.

The Committee Report also highlighted the link between the employment and social inclusion agendas. This link is a significant outcome of the contribution made by voluntary and community sector training providers.

### **THE POVERTY PARADIGM**

Underpinning the European Structural Funds is the European social model, which introduces the notion of social justice into any adequate assessment of effectiveness. In February 2004, this was eloquently re-stated in the European Commission’s Third Report on Economic & Social Cohesion: *“The risk of poverty is closely linked to unemployment and inactivity...”*. It is within this context that voluntary and community sector groups have emerged as key providers of training.

For the voluntary and community sector, progress may be mapped through activities across the EU, as well as specifically within the UK. In the former case, the sector's developments are somewhat limited whereas, in the UK, the sector's achievements are more pervasive.

In relation to poverty eradication, the voluntary sector impact at the EU level is most demonstrable through the formation of the European Anti-Poverty Network (EAPN). With active help from the European Commission, EAPN was formed in 1989/90 following the completion of the first two European Poverty Programmes. A key objective of this initiative was to meet the strong demand from the street-level for a pan-European NGO infrastructure of poverty practitioners, and of the poor themselves, to complement existing networks of academics, bureaucrats and politicians.

From the outset, EAPN identified the need for continuing engagement with the development of the European Structural Funds through conferences, seminars, publications and lobbying in Brussels. Research undertaken by EAPN has revealed that, across the EU, involvement of the NGO sector in the design and delivery of European Structural Funds has generally been patchy and more in theory than in practice. However, notable and often exceptional progress in partnership has been recorded by the voluntary and community sector in the UK. Even so, the prevailing EAPN critique with regard to the European Structural Funds lies in challenging the adequacy of employment policy to address the fundamental issues of poverty.

Within the UK, this critique has emerged in the context of the above-mentioned Parliamentary Inquiry as well as in the 2003 Treasury-led public consultation on *A Modern Regional Policy for the United Kingdom*. In part, the latter sought to address issues relating to the European Structural Funds after 2006, but was widely criticised for failing to acknowledge the implications of regional development for policies on social inclusion. Voluntary and community sector providers were in the front line of this criticism and drew on their collective experience of the Funds over nearly two decades.

The UK model has, however, been essentially one of un-paralleled partnership. The key to this has been the innovative and imaginative use, by successive Governments, of the 2% Technical Assistance that is available within all the European Structural Funds for the management of programmes. Since the late 1980s, there has been a deliberate UK policy to steer an element of the Technical Assistance in the direction of voluntary organisations. This has enabled the sector to build and deliver projects within the specific requirements of the European Structural Funds.

Moreover, the proximity of NGOs to the economically/socially excluded has enabled the European Structural Funds to target the disadvantaged and hardest-to-reach. As the sights of the present Government policy move to the economically inactive, there is available an extensive voluntary/community sector infrastructure that the European Structural Funds has directly helped to put in place.

This was recognised in 2003 when the national European Structural Funds Unit (attached to the Department for Work & Pensions and the Department for Education & Skills) commissioned the sector to undertake a scoping study on capacity building for community empowerment. The sector was represented by the Third Sector European Network, a national network of regional networks that have been working together for over 10 years. Such arrangements not only enable the sector to engage with the national discussions on design and evaluation, but also embraces engagement at the regional level. Indeed, the European Structural Funds funding mechanism is operationalised at the regional level and has been one of the key engines driving regional policy in the UK.

The credibility of the sector's position at the strategic level is rooted in the commitment and expertise of voluntary and community providers at street-level. Thus, across England in the early years of the current European Structural Funds programming period, the sector was delivering about a third of Objective 3, which is the largest of the European Structural Funds programmes. In London, following the initial discontinuities arising from the Agenda 2000 reforms, the sector was delivering half of the regional programmes.

The success of the sector lies in positioning its programmes specifically in relation to individual access to, and exclusion from, the labour market. This positioning is laying the ground for a broader, comprehensive role for the Funds in the post-2006 expansion. Domestically, this bias is reflected in the ‘tale of two cities’ thesis that may well underpin the 2006 Case for London. To illustrate, the London Voluntary Sector Training Consortium (funded by European Structural Funds Technical Assistance through the Government Office for London) has successfully argued the tale of two cities thesis, whereby the skill needs of those working in the capital (usually, commuters from outside) are differentiated from those of local residents (often characterised by social disadvantage). The consequent ‘inclusion’ strategy is now enshrined as a strategic priority in the London Framework for Regional Employment & Skills Action and forms a key part of the regional response to the Government’s National Skills Strategy.

In these important respects, the sector has worked to promote the convergence of the employment and social inclusion agendas, as expressed at the EU level through the respective National Action Plans. This has involved pioneering work in the areas of equal opportunities and has focussed attention on the pre-labour market and on the development of pre-vocational skills. Indeed, the sector is in the vanguard of forging links between the vocational and neighbourhood learning agendas identified in the Government’s 2003 National Skills Strategy.

At the same time, the sector is fulfilling the promise of the European Commission’s 3<sup>rd</sup> Cohesion Report: “ .. the ESF has encouraged both the adoption of a stronger long-term approach to labour market measures in Member States through its multi-annual programming and the decentralisation of employment and training policies. Some 30% or more of ESF programmes are, therefore, managed at regional level, while the application of the partnership principle has led to increased involvement of social partners and NGOs as well as regional and local authorities in both the composition of Monitoring Committees and the design and implementation of operational programmes.” (p. 155)

## **WAYS FORWARD**

Despite improvements in labour market performance, 68 million people continue to live in poverty in the European Union. The European Structural Funds have considerable potential to reduce and alleviate poverty and, especially through NGO project initiatives, can deliver to excluded communities and groups at street level. To achieve social cohesion, labour market measures need to recognise the scope and potential of “pre-labour-market” interventions.

The current Government’s focus on the ‘economically inactive’, as part of the economically and socially excluded, is shifting attention to developing programmes that target the hardest-to-reach. Here, emphasis will need to go on access and capacity-building strategies for those small NGOs operating in non-mainstream settings. Future priorities must offer space to build on, and to mainstream, the global (small) grant initiatives that the UK Government is pioneering under the present European Structural Funds programme.

Meanwhile, EAPN is lobbying the European Commission on a range of changes to the European Structural Funds, including;

- Linking the Funds to national policies for social inclusion.
- Improving access for NGOs.
- Lifting excessive bureaucratic burdens on participating NGOs.
- Re-considering and broadening the exclusivist labour market approach.
- Focussing evaluation and indicators on soft outcomes and distance travelled.
- Moving monitoring committees to a strategic, rather than money-counting role.
- Introducing systems to incentivise the mainstreaming of proven measures.
- Increasing targeting and concentration on the most marginalised (e.g. Immigrants).

Inevitably, the involvement of NGOs increases the performance risks faced by European Structural Funds project sponsors. But both NGO proximity to socially disadvantaged beneficiary groups and their clear targeting compensates for the shortfalls caused by the distance and competing mainstream agendas of larger providers. Further involvement of NGOs, alongside government and social partners, in the design and management of European Structural Funds is now central to EU cohesion policy. Hopefully the UK will continue to play a crucial part, with European Structural Funds adequately resourced to achieve the convergence of the employment and social inclusion agendas.

## THE EUROPEAN EMPLOYMENT STRATEGY: THE UK IN THE EUROPEAN UNION

**Richard Ennals**  
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### A EUROPEAN PERSPECTIVE

As a former research manager for the Department of Trade and Industry Alvey Directorate, a Professor at Kingston University, a Board Member of the Work Research Foundation, and a member of successive working groups with the Health and Safety Executive, I cannot claim to be an outsider with respect to the UK. But I can claim to be a European, bolstered by my current visiting professorial posts in Sweden, Norway and Lithuania, and research and consultancy roles with the European Commission. I endorse the objectives of the European Employment Strategy (Ennals 1998, Larsson 1999), and note the challenges involved in the Lisbon Objectives for Europe to be the leading knowledge economy and knowledge society in the world.

### SPEAKING PROSE

The UK approach to Europe has been reminiscent of Dante's 'Inferno', with over 30 years spent in Purgatory, trying to decide, terrified by the warning "*Abandon hope, all you who enter*". This has been a mistake. Moliere's "Bourgeois Gentilhomme" was excited to discover that he had been speaking prose for years. My argument is that UK policy is far more 'European' than is generally conceded, as many aspects of New Labour policy since 1997 are reflected in the European Employment Strategy, which epitomises many aspects of what used to be termed 'The Third Way'.



## **MORE AND BETTER**

The exceptions have been in the areas of social partnership and social dialogue - where the UK government's objections to the proposed European Constitution concerned the status of employment rights - and in workplace health - where UK legislation and practice still fails to comply with the requirements of Framework Directive 89/391. This means that the European strategy of 'more and better jobs' (Larsson 1999) tends to be translated in the UK as 'more jobs', and the long-standing UK tradition of 'quality in work' tends to be ignored. The European emphasis on "partnership for a new organisation of work" has also been distorted in the UK, with 'partnership' as a label denoting that government will not normally support the costs incurred by participants from academia or the labour movement, preferring to outsource public services to the private sector. We have much to learn from our European partners and competitors.

The UK could take pride in its historic pioneering role in work organisation. The Tavistock Institute in London, and the studies led by Trist (1951) and Emery (1959), were the intellectual starting point for Scandinavian work on participatory democracy in the workplace. This was taken forward in the UK by the Work Research Institute, which was then abolished by the Thatcher government. Ennals and Gustavsen (1999) argue that this had represented a kind of 'third way' between free market and state control, which can also be seen in the European Employment Strategy, with open co-ordination, soft law and social benchmarking. In the UK, the third way is now discredited and has transmuted into balance sheet juggling and privatisation masquerading as modernisation. In continental Europe, it is, in practice, alive and well in the European Employment Strategy.

## **TWO FACES**

The underlying unresolved question, despite the fact that the UK joined the European Community in 1973, is whether the UK now regards itself as part of Europe or as an off-shore state of the United States. There is a continuing tendency to look to North America for models of alternative policies, and a general unfamiliarity, on the part of UK academics and policy makers, with what is going on in the other 24 countries of the European Union, all of whom work within a common framework of legislation. As a consequence, we are less able to derive the full benefits from open co-ordination, soft law and social benchmarking. We display less of the characteristics of a learning country than we could.

Standards of workplace health and workforce participation have fallen behind in the UK. Manufacturing industry has shrunk rapidly, and many regions of the UK have become dependent on forms of employment, such as call centres, which are now being off-shored. Regional development policy and practice in the UK are in their relative infancy, and there are many lessons to be learned from regions across Europe, regarding how it can be done. Miliband wrote an insightful policy paper on innovation (Miliband 1990) addressing such matters, with many European examples, but ministers and advisers appear not to have read it when in government.

In the Nordic countries there is agreement on the importance of ‘decent work’ (the ILO phrase), and an established culture of working life research. The Swedes led 64 international workshops on ‘Work Life 2000: Quality in Work’ 1997-2001 (Ennals 1999, 2000, 2001), and have since then been leading projects with accession countries. The theme of quality in work was also a priority for French, Belgian and Danish Presidencies. Finland has emphasised ‘work ability’: they are experiencing the demographic crisis of an ageing population now and know that whole industries will close unless the work ability (including health) of workers is increased, which can mean re-designing jobs. Norway, which is not in the EU but complies with all of its directives, is investing North Sea oil revenues in national programmes of enterprise development, organised in regional modules (Gustavsen et al 2001, Levin 2002). In the UK, the equivalent funds, via tax cuts and privatisation, were used to increase the gap between rich and poor. Under New Labour the gap has continued to widen.

## **WELCOME TO EUROPE**

When the British join European discussions, they are made extremely welcome. European business is conducted in ‘European English’, and our partners are very tolerant when we fail to understand terms such as ‘social partners’, ‘social dialogue’, ‘consensus’, ‘soft law’ and ‘social benchmarking’. These have been core concepts of the EES since 1997!

Europe is where we are. But the debate in the UK is currently located somewhere else. We need to switch our attention from Prime Ministers to other opinion formers, such as academics and think tanks, whose narrowness of vision now threatens the future well-being of the UK. Their torpor and opacity is only matched by business, while many trade unions are getting on with the job.

Those who argue that the economies of the rest of the European Union all lag behind the UK, and that we have nothing to learn from dialogue, are dangerously myopic. The UK now leads Europe in the combination of private affluence for the few amid public squalor for the many. It cannot be worthy for UK employers and government to seek to secure competitive advantage at the expense of the working conditions of the workforce, who are denied the rights and freedoms accorded to workers across the rest of Europe.

We need to be at the heart of Europe, but without selling our souls. Our national employment environment could move from the traditional adversarial ‘boxing’ to a relationship of ‘dancing’, based on mature dialogue. This means getting to know our partners, regarding Europe as a development coalition..

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